MINISTRY OF CORRECTIONS, PUBLIC SAFETY AND POLICING

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2008

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 2008 and the statements of operations and accumulated operating surplus/(deficit) and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 3, 2008

Fred Wendel, CMA, CA
Provincial Auditor

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31

	2008	2007 (Restated-Note 12)
ASSETS		
Current assets:		
Accounts receivable	$ 138,688	$ 175,920
Inventory (Note 6)	82,386	85,939
	$ 221,074	$ 261,859
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 43,642	$ 45,560
Accumulated net expenditure (Statement 3)	102,160	189,349
Fund equity:		
Accumulated operating surplus (Statement 2)	75,272	26,950
	$ 221,074	$ 261,859

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
FOR THE YEAR ENDED MARCH 31

	2008		2007
	Budget (Note 10)	Actual	Actual
Sales	$ 540,000	$ 514,693	$ 497,168
Cost of goods sold (Note 5)	478,000	452,676	445,466
Gross profit	62,000	62,017	51,702
Operating expenses:			
Salaries	51,000	45,662	40,362
Travel	6,400	27	1,297
Miscellaneous	1,000	2,944	1,129
Repairs and maintenance	600	232	340
Office supplies	1,250	3,976	2,298
Bad debts	1,000	---	---
Delivery	250	1,224	51
Returns	500	---	---
	62,000	54,065	45,477
Net income from operations	---	7,952	6,225
Other income	---	370	77
Subsidy from General Revenue Fund	40,000	40,000	40,000
Net income	$ 40,000	48,322	46,302
Accumulated operating surplus/(deficit), beginning of year		26,950	(19,352)
Accumulated operating surplus, end of year (Statement 1)		$ 75,272	$ 26,950

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN
ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31

	2008	2007 (Restated-Note 12)
Financing provided by (required for) operating activities:		
Net income	$ 48,322	$ 46,302
Working capital changes related to operations		
Decrease (increase) in accounts receivable	37,232	(83,827)
Decrease in inventories	3,553	685
Decrease in accounts payable and accrued liabilities	(1,918)	4,699
Net financing provided by (required for) operating activities	87,189	(32,141)
Accumulated net expenditure, beginning of year	(189,349)	(157,208)
Accumulated net expenditure, end of year (Statement 1)	$ (102,160)	$ (189,349)

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under contract.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) Financial Instruments

Effective April 1, 2007, the Revolving Fund adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured.

The Revolving Fund's financial instruments and their classification are as follows:

Financial Instrument	**Classification**
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

g) Recent Accounting Pronouncements

Effective April 1, 2008, the Revolving Fund will be required to adopt the CICA Handbook sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Revolving Fund is exposed, and how the risks are managed by the Revolving Fund. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Revolving Fund does not expect the adoption of these new standards to have a material impact on its financial statements.

h) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The approved surplus/deficit limit for the Correctional Facilities Industries Revolving Fund is $100,000 per year.

5. Cost of Goods Sold

Cost of goods sold consists of the following:

	2008	2007
Materials	$ 177,078	$ 198,291
Supplies	20,679	11,576
Small Tools	0	261
Inmate Incentive	37,265	40,018
Staff Salaries	201,971	176,667
Shop Expense	15,683	18,653
	$ 452,676	$ 445,466

6. Inventory

Inventory consists of the following:

	2008	2007
Raw Materials	$ 59,868	$ 59,111
Work in Process	7,268	14,168
Finished Goods	15,250	12,660
	$ 82,386	$ 85,939

7. Amount Reported in the Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2008	2007
Net income after subsidy and other income	$ 48,322	$ 46,302
Decrease in inventory balance	(3,553)	(685)
Timing differences in recording receipts and payments	16,192	4,604
Net recovery reported in the Public Accounts	$ 60,961	$ 50,221

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan and non-Crown agencies subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2008	2007
Sales	$ 67,259	$ 59,957
Accounts receivable	25,208	23,859

In addition, the Revolving Fund pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

9. Financial Instruments Risks

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments recorded as accounts receivable and accounts payable and accrued liabilities that may affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly, no provision has been made in the Revolving Fund's accounts.

12. Correction of Prior Period Error

In 2006-07, an expense and a payable of $9,018 were not recorded. This error has now been corrected retroactively. As a result, accounts payable and accrued liabilities has been increased and accumulated net expenditure has been reduced by $9,018 at March 31, 2007.